

# **Exhibit 71**

DRAFT - November 13, 2000**Issue: VANCOMYCIN**

<b>Summary</b>	<p>Abbott has come under recent fire from the media, Congress and the Justice Department for alleged "price spread marketing," with Vancomycin taking advantage of the "spread" between the catalog price and average wholesale price (AWP).</p>
<b>ABT's position</b>	<ul style="list-style-type: none"> <li>▪ Abbott's Vancomycin is a generic antibiotic that has not been widely reimbursed by Medicare Part B since 1996. Four other companies also market a generic vancomycin.</li> <li>▪ Medicare's decision to discontinue coverage of Vancomycin is stated in a June 1996 supplier bulletin from the Region B Durable Medical Equipment Regional Carrier (DMERC) as follows: <ul style="list-style-type: none"> <li>"Effective for courses of therapy beginning on or after September 1, 1996, vancomycin will not be covered when it is administered using an infusion pump."</li> </ul> <p>Abbott's Vancomycin can only be administered through an infusion pump.</p> </li> <li>▪ There are four regional DMERCs, which process Medicare claims for durable medical equipment.</li> <li>▪ <u>It is Abbott's understanding that there may be recent Medicare Part B Vancomycin reimbursements</u>, which could be back logged claims or limited cases where a physician receives special approval from a regional carrier medical director to be reimbursed for Vancomycin for specific patients.</li> </ul> <p><small>©There may be minimal recent Medicare reimbursements for patients who were successfully being treated with Vancomycin when it was taken off the Medicare list in 1996.</small></p> <ul style="list-style-type: none"> <li>▪ Vancomycin's price structure is based on the investment made in this product and the needs of our customers. Abbott does not market products as having a "price-spread" advantage. Conversely, Abbott doesn't typically market Vancomycin as an individual product. Instead, it is marketed as part of a portfolio of hundreds of injectable generic products.</li> <li>▪ The Medicare laws were designed to provide healthcare providers with reimbursement for the product and the costs associated with administering them. Vancomycin's pricing structure has been in line with these laws.</li> </ul>

**EXHIBIT**

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<b>The Facts</b>	<p><b>Product</b></p> <ul style="list-style-type: none"> <li>Abbott's Vancomycin is a generic injectable antibiotic approved by the FDA in 1988.</li> <li>Vancomycin is used to treat infections in many different parts of the body and is sometimes given with other antibiotics. <u>The It is considered an antibiotic of "last resort" drug and</u> is often used to treat patients who are allergic to penicillin.</li> <li>Vancomycin's innovator drug, Vancocin, is manufactured and marketed by Lilly.</li> </ul> <p><b>Sales and Marketing</b></p> <ul style="list-style-type: none"> <li>Abbott's Vancomycin sales are generated through home care and alternate site business, hospital group purchasing organization (GPO) contracts and sales to distributors. It is typically not marketed as an individual product, but as one of many generic injectable products in Abbott's FirstChoice product line.</li> <li>The AWP Medicare reimbursement rate only applies to Vancomycin sales in the alternate site businesses.</li> <li>Vancomycin's 1999 sales were \$3927 million, with an <u>approximate</u> 50% market share in hospitals (GPO <u>members</u>'s and <del>other non-home and non-</del> alternate site customers) and a <u>605%</u> market share in home and alternate site businesses.</li> <li>Abbott's Vancomycin market share was 37% in hospital and <del>xx60%</del> in alternate site businesses in 1996, the last year Vancomycin was approved for Medicare reimbursement.</li> <li><u>Abbott's Vancomycin (J3370 code) Medicare Part B Reimbursements</u> <table> <tr> <td>1995</td> <td>\$12,051,885</td> <td>(Office of Inspector General (OIG) report, 12/97)</td> </tr> <tr> <td>1996</td> <td>\$ 8,234,140</td> <td>(OIG report, 12/97)</td> </tr> <tr> <td>1997</td> <td>\$ 898,544</td> <td>(Paula Higger, HCFA, 10/16/00)</td> </tr> <tr> <td>1998</td> <td>\$ 841,194</td> <td>(Paula Higger, HCFA, 10/16/00)</td> </tr> <tr> <td>1999</td> <td>\$ 688,827</td> <td>(Paula Higger, HCFA, 10/16/00)</td> </tr> </table> </li> </ul> <p><b>History</b></p> <ul style="list-style-type: none"> <li>When Vancomycin was approved, its <u>list-catalog</u> price and AWP <u>wasere</u> set according to <u>the price</u> <u>those</u> of the innovator drug, Vancocin. <u>As most of Vancomycin's sales are through GPOs and other customer contracts that typically provide volume discounts well below catalog price, the catalog price is not normally adjusted as contract prices increase and decrease.</u></li> <li>Vancocin's manufacturer, Lilly, decreased its <u>list-catalog</u> price approximately 50% soon after Abbott's generic Vancomycin was approved—which resulted in a lower AWP—while <u>Vancomycin's</u> <u>while</u> Vancomycin's catalog price remained the</li> </ul>	1995	\$12,051,885	(Office of Inspector General (OIG) report, 12/97)	1996	\$ 8,234,140	(OIG report, 12/97)	1997	\$ 898,544	(Paula Higger, HCFA, 10/16/00)	1998	\$ 841,194	(Paula Higger, HCFA, 10/16/00)	1999	\$ 688,827	(Paula Higger, HCFA, 10/16/00)
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	<p>same.</p> <ul style="list-style-type: none"><li>▪ Subsequently, we received complaints from state insurance carriers that the AWP for Vancomycin was too high for Medicaid (state-issued) reimbursements. So, in May 1995, we lowered Vancomycin's <u>catalog price for a month</u>.</li><li>▪ Our customers responded by saying that this reduction interfered with their ability to provide care. During this brief period, physicians stated that they were unable to recoup provider costs associated with Vancomycin, such as <del>nursing labor to administer the drug and pharmacy overhead and labor to mix and label the product</del>. In June 1995, we reinstated the price to its original catalog price.</li></ul>
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